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Pillar 3a – News 2025

In recent years, the financial pressure on the government pension (Pillar 1) increased dramatically. With the "baby boomer" generation approaching retirement age, the pressure will even increase in the near future. That said, pension saving through the employer pension fund (Pillar 2) and especially private pension saving (Pillar 3a) will become more important. Let's have a look at the most recent news regarding Pillar 3a saving.

Increased maximum contribution

For the year 2025, the maximum tax-deductible contribution will be increased again from CHF 7'056 to CHF 7'258 (+ CHF 202) for employed people contributing to Pillar 2. For people not contributing to Pillar 2, the maximum contribution will be increased from CHF 35'280 to CHF 36'288 (+ CHF 1'008). This follows the trend of limits increasing every two years.

Retroactive contributions

So far, retroactive contributions to Pillar 3a were not allowed. For years where no contributions could be made resp. not the maximum contribution could be made, the tax deduction was simply lost and a gap could not be closed. Now for the first time in 2026, retroactive contributions to Pillar 3a will be allowed to close any gaps that arise from 2025 onwards. Any existing gaps up to the year 2024 cannot be closed.

This new regulation will provide you with some more flexibility to optimize your tax liability. Due to the progression of tax rates (the higher the taxable income, the higher the tax rate), it makes more sense to claim tax deductions in years with higher income (e.g. when receiving a severance payment, large bonus or income from long-term incentives). The new regulation allows you to skip Pillar 3a contributions in years with lower income and consolidate contributions in years with higher income.

Please bear in mind that other aspects (retirement, marriage, birth of children, moving to another commune etc.), deductions (Pillar 2 buy-in, renovation costs for real estate etc.) and return on investments should be considered too for tax optimization. Please seek advice from a professional financial advisor to find the best strategy for you individually.

Increased tax liability on cash distributions

In late 2024, a group of experts led by the federal minister of finance published a plan to increase taxation on cash distributions from Pillar 2 and Pillar 3a starting already in 2025. Today, cash distributions from Pillar 2 and Pillar 3a are taxed at much lower rates compared to monthly pension income. To increase tax income on federal level, the expert group wants to tax such cash distributions at the same level as monthly pension income. In a nutshell: the same tax rates as for any other income such as salary, interest, dividend etc.

There is certainly criticism about these plans by the federal government. Taxpayers contributed to their Pillar 2 and Pillar 3a in the past knowing that in the future, there is an option to claim a cash distribution and save taxes. Changing these rules “during the game” causes a lot of damage and lowers trust towards the government. If these higher tax rates would also apply to withdrawals prior to retirement (e.g. when buying real estate or becoming self-employed), the tax at withdrawal could even be higher than the tax savings on the contribution.

So far, only plans have been published and these rules are not (yet) in force. Probably during the year 2025 there will be more clarity on these changes.

Conclusion

Allowing retroactive contributions into the Pillar 3a shows that the government is aware of the future issues around the Swiss social security system. To keep the standard of living, private pension saving through Pillar 3a will likely become a necessity in the future. Whether the government will be allowed to eliminate the tax benefits of cash distributions for existing pension savings is questionable but it shows the trend of reducing tax benefits on pension savings.

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